

Function 270: Energy

Function 270 comprises energy-related programs including research and development, environmental clean-up, and rural utility loans. Most of the programs are within the Department of Energy, although the rural utility program is part of the Department of Agriculture.

Advanced Energy Initiative Lacks Vigor — In his State of the Union message, the President set forth a goal to replace more than 75 percent of our oil imports from the Middle East by 2025. The Advanced Energy Initiative calls for a 22 percent increase in clean-energy research at the Department of Energy, with promises for funding boosts for solar, clean coal, wind, hydrogen fuel, biomass, and more efficient vehicles. While some of these funding increases materialize, other renewable energy research is cut drastically or eliminated.

The initiative touts the passage of comprehensive energy legislation, yet the budget repeals two tax-related items from the recently enacted law.

Energy-Related Tax Proposals

Millions of Dollars

<u>Proposal</u>	<u>Ten-Year Increase in Revenue</u>
Repeal reduced recovery period for natural gas distribution lines	833
Modify amortization for certain geological and geophysical expenditures	730
Excise tax on coal (net of income effects)	750
Total	2,313

Mandatory Spending

The receipts from marketing federally produced power and the fees that commercial nuclear reactors pay when generating electricity are recorded as negative mandatory spending in this function. Consequently, total mandatory spending is negative; the government takes in more money than it spends on these energy programs.

Power Marketing Administrations (PMAs)

PMAs market electricity generated by hydropower projects at federal dams to public utilities and cooperatives. Currently, three of the four PMAs are federally subsidized: Southeastern Power Administration (SEPA), Southwestern Power Administration (SWPA), and Western Area Power Administration (WAPA). Bonneville Power Administration (BPA) recovers all of its costs through sales of electricity and transmission, and is not supported through annual appropriations.

- ***Higher Rates for PMA Customers*** — The budget includes a provision that may increase rates paid by some Power Marketing Administration customers, changing the interest rate

paid on new obligations by SEPA, SWPA, and WAPA. This change is expected to increase total receipts by only a small amount every year.

- ***Accelerated Debt Repayment for Bonneville Power Administration*** — The budget requires BPA to use any secondary market revenues in excess of \$500 million per year to reduce its debt. This action is likely to increase electric rates in the Pacific Northwest, perhaps by ten percent or more.
- ***Increase for Bonneville Borrowing Authority*** — As in past years, the budget increases the limit on Bonneville's debt by \$200 million in 2009, and clarifies the liabilities and obligations that should be counted towards Bonneville's statutory cap on borrowing authority. The change would ensure that certain transactions, such as lease-purchases, are treated as debt.

PMAs arrange to buy and re-sell, or "wheel," power from other electricity producers on behalf of their customers, who then reimburse the PMAs. The budget provides \$54 million for SEPA, with \$48 million from purchase power and wheeling activities and \$6 million from appropriations. SWPA receives an appropriation of \$32 million and generates \$3 million through purchase power and wheeling, for a total of \$35 million. The budget provides a total program level of \$689 million for WAPA, with \$212 million from appropriations and \$275 million from purchase power and wheeling.

Nuclear Waste Disposal

The budget provides a total of \$545 million for 2007 to fund the Office of Civilian Radioactive Waste Management, which implements federal policy for disposal of commercial spent nuclear fuel and high-level radioactive waste resulting from the nation's atomic energy defense activities. Over half of the funding for this program, \$388 million, is included in Function 050 (National Defense) for disposal of weapons-related nuclear waste. The total amount is \$50 million above the comparable 2006 amount.

The Nuclear Waste Disposal Fund, which is financed by fees on nuclear-generated electricity, collects \$754 million in 2007.

Appropriated Programs

The budget for 2007 provides \$3.8 billion in appropriated funding for energy programs, which is a cut of \$223 million below the amount needed to maintain purchasing power at the 2006 level.

Energy Efficiency and Renewable Energy — The budget provides \$1.2 billion for the Office of Energy Efficiency and Renewable Energy, which is \$24 million (2.0 percent) less than the 2006

request and \$58 million (4.7 percent) less than the amount provided for 2005. The budget includes the following amounts for 2007 as part of the Advanced Energy Initiative:

- Solar energy – \$148 million, \$65 million over the 2006 enacted level;
- Biomass and biorefinery systems research and development – \$150 million, \$59 million over the 2006 enacted level;
- Hydrogen technology – \$196 million, \$40 million over the 2006 enacted level; and
- Wind energy – \$44 million, \$5 million over the 2006 enacted level.

Other renewable energy programs fare worse under the budget: geothermal technology and hydropower are eliminated.

Weatherization assistance grants, which help low-income households make their homes more energy-efficient, are cut by \$78 million (32.3 percent) from the 2006 appropriated level. In total, all weatherization and intergovernmental activities are cut by \$92 million from the 2006 appropriated level, receiving \$225 million for 2007.

Fossil Energy Research and Development — The budget provides \$649 million for fossil energy research and development for 2007, \$193 million (22.9 percent) below the 2006 enacted level. The budget eliminates funding for clean coal technology, which was funded at \$20 million for 2006. The budget provides \$470 million for fossil energy research and development, a cut of \$122 million from the 2006 enacted level.